

# Competing Against Incumbent Vendors And Big Players — Stick To Your Guns

© 2007 Suresh Malladi, PMP

When you bid for projects in organizations, it is not an uncommon scenario where you may need to compete against incumbent vendors and some times against players much bigger than you. The incumbent vendors may hold the status of preferred vendors as they may have served your prospective client for quite some time. In such a scenario, you are going to bid your case against those vendors. This article highlights some pearls and pitfalls from my experience that can serve when bidding against existing vendors or against big players.

## ***Diligence From The Start – Gauging Interest And Intention***

Before you embark on the bidding process, try to understand the holistic vendor engagement scenario of the customer. You may need to gauge why they are looking beyond the existing vendors. Sometimes they wish to look beyond the existing vendors to broaden the vendor base and mitigate the risk of relying on a single vendor. Sometimes they may be looking for a specialized service which the incumbent vendor is unable to fulfill. If your organization has a niche specialization, your chances will be brighter if your offering matches the client needs.

Sometimes the client may be looking for a QA (Quality Assurance) engagement for a validation of what the existing vendor is delivering. Here you need to supplement the existing vendor and fit into the vendor strategy of the client. Make no mistake, I have seen some scenarios where the clients have called for a solicitation process just to satisfy their internal requirements of solicitation and procurement and have called for bids just to satisfy the legal requirements. They have gone with the existing vendor even before the end of the bidding process which gave a feeling that the entire process is a farce. This is not a common scenario but you have to be cautious and see if you have a feeling of being “taken for a ride”.

In some cases, the clients have solicited bids from other vendors to use them to bargain a lower bid from the incumbent vendors. Due diligence in the beginning and trying to understand how serious the client is prevents you from chasing a futile prospect. You may need to gauge the responsiveness of the client for your information requests, the time and attention he is devoting, how participative he or she is with you to evaluate your chances of success. If the client is not participative, it is negative not only for the bidding process but also for the future engagement if you win the contract.

## ***Be Realistic In Your Estimates – Aggression Is A Bad Start***

When evaluating the project you are bidding upon, have a realistic assessment of the complexity, cost and schedule. Some vendors will submit lower bids to oust the incumbents or the other competing vendors and will estimate aggressively to win the project at all costs. This will squeeze the costs and schedules by placing undue pressure on the bottom line and on the resources once the project takes off. The resources will be cramped for project time leading to slipping of project schedules. Once the project starts slipping, the duration extends, eating into the profits as the vendor will start deploying additional resources or will extend the duration to accomplish the project tasks.

Neither is healthy for the vendor as the project in the end will become burdensome. In some cases, slipped schedules may lead to contract termination making it a losing proposition and a dent on your reputation. Understand the requirements thoroughly, estimate the project honestly and take note of the client expectations. When the client has unrealistic expectations, it is better to note this in the due diligence phase and notify the client of the reality or better to withdraw from the bidding process. It does no harm if you seek a chance to explain to the client the rationale behind your estimates and convince him of the accuracy of your solution and project approach. You may even demonstrate your solution with a prototype to show your understanding of the requirements and your agility in coming up quickly with a working model of the product.

### ***Account For The Unknowns – Risks And Intangible Squeezers***

In the intention to win the projects, vendors sometimes forget accounting for the intangible items that affect the projects. Understand that your project needs some time allocated for the learning curve and allow for this in your estimates. You should note the time needed to set up the project management practices, time for knowledge transfer and a list of risks that may plague the project. Your resources should be given sufficient time for knowledge acquisition, for project set up and any training needs.

Ignoring these start-up requirements will affect the latter stages of the project. The list of identified risks and the mitigation requirements should be clearly worked out with the vendor, agreeing about how the alternatives can be employed and how the deviations can be accommodated in the schedule if these risks occur on the project. You should also check for any dependencies on the project and how these affect your project. For example, your client may plan to have a vendor provide deliverables to you in time to start your work. In such a case, you should gauge the what-if scenarios and how your concerns will be accommodated if the other vendor fails to keep the schedule.

### ***Competition Or Cooperation – Figuring Out Multi-Sourcing***

If your client has multiple vendors to fit into his or her multi-sourcing strategy, understand and negotiate on how you fit into the big picture. You may be bidding for a project against an established vendor or to work with other vendors who are delivering other projects. You should understand how you should cooperate with them, how they will cooperate with you, and if you also be required to compete with them. In a collaborative scenario, check the mutual responsibilities and dependencies and how the work will not be affected mutually. You should also negotiate for the scenario of the other vendor failing in his responsibilities and its effect on your delivery.

If the client is engaging multiple vendors and your project has a dependency on the work of the other vendors, you need to elicit information on ***who owns the intellectual assets*** of those projects where the client is working with the other vendors. This is because the other vendor may be unwilling to share the project code, documentation and information due to intellectual property reasons and this may be detrimental to your project needs. You need to check how this will be sorted out and how you will be supported by the client for all project related information. This non-cooperation from the incumbent may be present right from the beginning. They may not cooperate in the beginning with the fear of losing ground to another vendor or if they get a feeling that they are going to lose this bid. Once the project is lost, they may not cooperate due to the competition and the ill-feeling generated in the bidding process.

### ***Emphasize Your Efficiencies – Your Differentiators***

During the bidding process, emphasize your project approach and the value addition you can bring to the table. This is better practice than comparing yourself with the other competitors. You should emphasize the project approach, mode of delivery, your methodologies, best practices and any differentiating factors that add value to the project. You should also emphasize any intangible factors that add value to the project and that help differentiate from the competition.

The intangible factors help your case if your competitors are equally competent in their project approach. In some cases, it will help if you can cause the client to speak to your reference clients. If your reference clients can talk more about how you addressed the challenges, risks and intermediate failures on their projects, it will reinforce your reputation of successful delivery. It is also beneficial to show how you work as an extended organization of the client organization and how you can cultivate a relationship with the client via a partnership model.

You can also emphasize the portfolio of services you can offer in addition to the current project requirements, to demonstrate your readiness to cater to the extended future requirements of the client. If the client has varying requirements or has product life cycles with increasing/decreasing activity, you may show how you can quickly ramp up and ramp down the resources and your flexibility in adapting to the customer expectations and requirements.

### ***Working With Stakeholders – Gaining Their Support***

The client organization and its stakeholders will already have a working relationship with the existing vendor and should have been very comfortable with them. You will have a task of cultivating a similar relationship with these stakeholders once you engage with them. You should factor this into your diligence phase and clearly negotiate the

roles and responsibilities, what kind of cooperation you expect from the client stakeholders, how you will be responsive and sensitive to their needs and how you can engage them in partnership.

You can emphasize areas such as:

- how the clients inputs will be elicited;
- how they will be involved in the requirements gathering;
- how the deliverables will be submitted for review and feedback;
- how their feedback will be absorbed, how you view them to be functional experts;
- how you feel them to be valuable contributors to the project beyond being stakeholders.

You should also check on how any conflicting requirements will be prioritized and balanced, and how conflicts in expectations will be resolved.

Highlight how any differences will be sorted out when they arise. Honest and open communication is always appreciated, and providing honest updates to these stakeholders will help in working a resolution for any deviations on the project and buying their consent for the revisions to the project aspects. You can also indicate the points of contacts who will attend to the stakeholder needs throughout the project, identify who will communicate with them, and who will be accountable to the project, and who will jump in during escalations.

### ***Conclusion***

When you wish to bid for any project, check the existing vendor strategy of the customer, the role of the existing vendors and how you fit in the holistic vendor scenario. You first need to gauge the commitment of the client in going with new vendors, why they are looking beyond the existing vendor and how you can partner with the client.

You need to be realistic in your estimates and the ultimate goal should be based on your chances of success on the project rather than winning it at all costs. See if your strategic interests match with those of the client; emphasize how you differentiate from the competition and present realistic estimates about the project. You should consider the effort needed to tackle the unknown challenges of the project. You should negotiate mechanisms to get the support and project information needed for your success and work out on how you will gain the support and confidence of the stakeholders.

You should figure out how to mitigate the risks of non-cooperation from the stakeholders and other vendors working with the client. In summary, see how your competences, your methodologies and your approach can create a win-win, and long term relationship with the client.

### ***About the Author***



Suresh Malladi, PMP works as a Client Services Manager with a major software firm headquartered in Philadelphia. Suresh manages the pre-sales and post-sales process for many Fortune 1000 companies and Independent Software Vendors in the USA by providing technical consulting, project execution methodologies, and coordinating the project execution with teams across the globe.

Suresh has a Masters degree in IT from Carnegie Mellon University and an MBA from India. He has worked in domains serving financial services, banking, insurance, and manufacturing, during his professional career.